"wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio, and

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market."

defines the financial instrument, and is not merely directed to a "method" of making the financial instrument. Accordingly, it is submitted that such clauses appearing in independent claims 1, 10, 16, 23 & 24 should be given patentable weight. It is further submitted that the Stallaert reference does not disclose these claimed attributes.

Claim 15 is a method claim that includes the presence of a "first financial instrument" of the sort recited in claim 1. Again, no 'product-by-process' item is being claimed.

Rejection under 35 USC 103

In the 10/02/02 office action, claims 1-24 were rejected under 35 USC 103(a) as being unpatentable over U.S.Patent No. 6,035,287 to Stallaert. In formulating the rejection of original independent claims 1, 10 and 15, on pages 2-3 of the 10/02/02 office action, the Examiner asserted that:

> Stallaert discloses an apparatus and method for bundled asset trading wherein a first portfolio (or a bundle) comprises units having an integer number M different securities (assets) selected from a second portfolio, the second portfolio comprising units of an integer number N different securities (see at least fig. 1, assets 1-4), N > M, with the M different securities being a subset of the N different securities (see at least, bundle size; and In re Rose, 105 USPQ 2nd 237, 240, 200 F.2d 459 (CCPA 1955))[1] wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio (see matching), and wherein the first financial instrument, anda second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market (se Stallaert, figs. 1, col. 2, ll. 40-45 & 52-58; col. 3, ll. 1-4).

Stallaert does not disclose this at all. Instead, Stallaert discloses a marketplace for exchanging bundles of assets wherein the <u>quantities</u> of each asset may vary from bundle to bundle, the bundles themselves more or less comprising the same set of different assets (i.e., for

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[1] The Examiner's reliance on this reference, which refers to organizing 'bundles' of lumber, is mystifying; *in re Rose's* "bundle size" is not an apt analogy to the 'portfolios' claimed in the present application.

Stallaert, "N" = "M"[2] with varying quantities of each member of 'M' in any particular bundle 100a, 100b, 100c, 100d; See Stallaert's Fig. 1). This has nothing to do with the present invention, let alone render obvious the claimed invention.

Also on page 3 of the office action, The Examiner conceded that Stallaert does not disclose "the weight of the first and second security are divided by the combined weight of the first portfolio with the second portfolio"[3], but argued that this would be obvious because "the ratio is based upon a notoriously old and well known mathematical technique of a weighted arithmetic mean." First, it is respectfully submitted that the Examiner has misinterpreted this claim element, since 'a weighted arithmetic mean' has little relevance to the present invention --- in the present invention, the weighting of M different securities in the first portfolio reflects their weighting, *relative to each other*, within the second portfolio. It is further submitted that even if 'a weighted arithmetic mean' has any relevance, the Examiner has failed to make a prima facie case of obviousness of any of the independent claims.

With respect to dependent claims 2-9, it is again submitted that the Examiner has failed to make a prima facie case of obviousness.

On page 4 of the office action, the Examiner argues that claims 2-4 are obvious over Stallaert. However, the Examiner does not particularly show how each and every element is disclosed in Stallaert. Accordingly, the rejection of claims 2-4 is traversed.

With regard to claims 5-7 and 8-9, the Examiner *concedes* that Stallaert does not disclose the claimed invention, but nevertheless nakedly asserts obviousness, without pointing out either the claimed feature, or a motiviation to modify or combine, in any prior art reference. Therefore, the rejection of claims 5-9 is traversed, as well.

With regard to claims 11-24, the Examiner simply states "(please see explanation of claim 2-4)". Applicants are unable to address the Examiner's rejection of any of claims 11-24, other than to say that the Examiner has not pointed out how each and every element of these claims is disclosed in the Stallaert reference. The Examiner is kindly asked to establish a prima facie case of obviousness by showing how each and every element of these claims is satisfied in the Stallaert reference.

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[2] In any event, the Examiner has failed to identify exactly what item(s) in Stallaert correspond to the "N" and "M" (N < M) recited in pending independent claims 1, 10 and 15. The Examiner is kindly asked to point this out in the next office action.

[3] It is unclear what the Examiner is referring to. The claim language reads "the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio,

Claim 16

Pending independent claim 16 is directed to a "first financial instrument" based on a portfolio of M different stocks traded on the NASDAQ, the M stocks belonging to an index that includes other stocks, at least some of which are traded on an exchange other than the NASDAQ. Nothing in Stallert discloses this property of a financial instrument. The Examiner is specifically asked to show how Stallaert discloses the invention of this claim.

Claims 23 & 24

Pending independent claims 23 and 24 are directed to a "first financial instrument" representing the "NASDAQ-only" component of the S&P 500, and the S&P 100, respectively. Again, nothing in Stallert discloses this property of a financial instrument. The Examiner is specifically asked to show how Stallaert discloses the invention of these claims.

Reconsideration of the application is requested. Claims 1-24 are believed to be in allowable form and define over the prior art. An early notice of allowance is requested so that the application can proceed to issue.

No fee is believed to be due for this submission. Should a fee be required, the Commissioner is authorized to charge any such fee to Pennie & Edmonds LLP's Deposit Account No. 16-1150.

Respectfully Submitted,

Date: October 15, 2002

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divided by the combined weight of the first portfolio within the second portfolio". Nothing in Stallaert discloses this.

APPENDIX A

Changes to Claims in Amendment Filed October 15, 2002

23. (Amended) A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 500 (S&P 500), wherein the market capitalization weight of each <u>of</u> the individual NASDAQ stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the S&P 500, divided by the combined market capitalization weight of the first portfolio within the S&P 500.

24. (Amended) A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 100 (S&P 100), wherein the market capitalization weight of each <u>of</u> the individual NASDAQ stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the S&P 100, divided by the combined market capitalization weight of the first portfolio within the S&P 100.

APPENDIX B

Pending Claims After Amendment Filed October 15, 2002

1. (Amended) A first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, N > M, with the M different securities being a subset of the N different securities,n

wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio, and

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market.

2. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio are all traded on a first securities market.

3. (Amended) The first financial instrument according to claim 2, wherein there are only a total of M different securities in the second portfolio that are traded on the first securities market.

4. (Amended) The first financial instrument according to claim 1, wherein the first and second financial instruments are both traded on the same securities market.

5. (Amended) The first financial instrument according to claim 4, wherein the first and second financial instruments are both traded on the American Stock Exchange (AMEX).

6. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio are all traded on the National Association of Securities Dealers Automated Quotations System (NASDAQ).

7. (Amended) The first financial instrument according to claim 6, wherein the second portfolio comprises stocks belonging to the S&P 500 and the first portfolio comprises only all of the stocks in the Standard & Poor's 500 (S&P 500) that are traded on the NASDAQ.

8. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio have the M lowest average trading volumes among the N different securities during a previous time period.

9. (Amended) The first financial instrument according to claim 1, wherein the M different securities in the first portfolio have the M highest price fluctuations among the N different securities during a previous time period.

10. (Amended) A plurality of first financial instruments C_{1eq}, C_{2eq}, . . . , C_{Jeq} , $J > 1$, each representing an ownership interest in a corresponding one of a first set of portfolios $\{C_1, C_2, \ldots, C_j\}$, each member of said first set of portfolios comprising units of a corresponding integer number M_j different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, $N > M_j$, with the M_j different securities being a subset of the N different securities for all j, wherein

the weight of each security in any one C_j is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of C_j within the second portfolio, and

each of the first financial instruments, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market.

11. (Original) The plurality of first financial instruments according to claim 10, wherein the set of first portfolios have no securities in common.

12. (Original) The plurality of first financial instruments according to claim 11, wherein the set of first portfolios form a partition of the second portfolio such that all N securities in the second portfolio are distributed among the set of J first portfolios.

13. (Original) The plurality of first financial instruments according to claim 10, wherein at least two members of the set of first portfolios have securities in common.

14. (Original) The plurality of first financial instruments according to claim 13, wherein all N securities in the second portfolio are represented in at least one member of the set of first portfolios.

15. (Amended) A method of facilitating an exchange in ownership of a security, the method comprising:

a step of providing a first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities, N > M, with the M different securities being a subset of the N different securities,

wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio, and

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market;

a step of receiving a first offer to sell said first financial instrument;

a step of receiving a second offer to buy said first financial instrument; and

matching said first and second offers.

16. (Original) A first financial instrument representing an ownership interest in a first portfolio comprising an integer number M different stocks traded on the National Association of Securities Dealers Automated Quotations System (NASDAQ), wherein:

the M different stocks are included in an index based on market capitalization values of an integer number N different stocks, N > M, with the M different stocks being a subset of the N different stocks and at least some of the N different stocks being traded on an exchange other than the NASDAQ; and

the market capitalization weight of each of M different stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the index, divided by the combined market capitalization weight of the first portfolio within the index.

17. (Original) The first financial instrument according to claim 16, wherein the index is the Standard & Poor's 500 (S&P 500).

18. (Original) The first financial instrument according to claim 16, wherein the index is the Standard & Poor's 100 (S&P 500).

19. (Original) The first financial instrument according to claim 16, wherein at least some of the N different stocks are traded on the New York Stock Exchange.

20. (Original) The first financial instrument according to claim 19, wherein N-M of the N different stocks are traded on the New York Stock Exchange.

21. (Original) The first financial instrument according to claim 20, wherein the index is the Standard & Poor's 500 (S&P 500).

22. (Original) The first financial instrument according to claim 20, wherein the index is the Standard & Poor's 100 (S&P 100).

23. (Amended) A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 500 (S&P 500), wherein the market capitalization weight of each of the individual NASDAQ stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the S&P 500, divided by the combined market capitalization weight of the first portfolio within the S&P 500.

24. (Amended) A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 100 (S&P 100), wherein the market capitalization weight of each of the individual NASDAQ stocks in the first portfolio is substantially similar to that stock's corresponding market capitalization weight in the S&P 100, divided by the combined market capitalization weight of the first portfolio within the S&P 100.